

Circular 01/11

For Information

Funding

Monitoring Growth 2000/01

Summary

This circular describes how the Council will assess each institution's performance against its funding agreement for 2000/01. The approach is substantially the same as the FEFC approach for 1999/2000.

The following are explained: the categories of activity to be monitored; baselines for 2000/01; plans for recovery of funds; and the policy for 2% tolerance for underperformance against funding agreement.

This will be of interest to Local LSCs, college principals, chairs of governors of colleges, chief education officers, heads of higher education institutions and external institutions in receipt of Council funding and external auditors of those institutions.

Supersedes

FEFC Circular 00/16



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Further information

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Summary

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The following are explained: the categories of activity to be monitored; baselines for 2000/01; plans for recovery of funds; and the policy for 2% tolerance for underperformance against funding agreement.

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Monitoring Growth 2000/01

Introduction

1 This circular describes how each institution's performance against its funding agreement for 2000/01 will be assessed. The approach is substantially the same as that outlined in the Further Education Funding Council (FEFC) Circular 00/16 *Monitoring Growth 1999/00*, which this document replaces.

2 For the 2001/02 funding year the approach is confirmed by the Learning and Skills Council (the Council), which took over responsibilities for funding further education from 1 April 2001.

Approach for 2000/01

Categories of activity to be monitored

3 The Council intends to monitor each institution's performance against the following three categories:

- a. The total number of units in the funding agreement;
- b. The units allocated for growth between 1999/00 and 2000/01 in 16–18 year old full-time students (monitored in terms of student numbers);

- c. The units allocated for growth between 1999/00 and 2000/01 in adult and part-time students (monitored in terms of student numbers).

4 The Council wishes to monitor all growth in student numbers (as opposed to full-time equivalent (FTE) student numbers for adults). This reflects the secretary of state's key target of increasing student numbers in further education by 700,000 by 2002.

Definition of a full-time 16–18 year old student

5 In order to ensure consistency of approach to baselines from 1999/00 to 2000/01 the definition applied to monitoring growth in 1999/00 has been retained, that is, the following definition applies:

- a full-time student pursues a programme of study of at least 450 guided learning hours in the current academic year
- a student's age is calculated at 31 August in the current academic year, and a student must be aged between 16 and 18.

6 The Council will consider exceptions to this rule in the following cases:

- where an institution puts forward a robust case indicating that it is disadvantaged significantly under this definition (that is, that it will be liable to recovery of funds for a shortfall against its 16–18 growth target) because it has recruited above target students who are under 19 on 31 August in the calendar year in which the students begin a programme of study
- individual cases where it can be demonstrated that an institution is disadvantaged significantly because it has recruited above target students following guided learning programmes of at least 450 guided learning hours per year but split between two funding years (for example, where a student began a full-time programme in January).

Baselines for 2000/01

7 To enable institutions to assess their own performance against target for 2000/01, the FEFC issued details of baselines to each institution, based on its out-turn data for 1999/00. These baselines were distributed with the operational funding allocations for 2000/01 from June 2000. The information provided for each institution was as follows:

- baseline units and student numbers for full-time 16–18 year old growth
- baseline units and student numbers for adult and part-time widening participation (WP) students
- growth units and student numbers for full-time 16–18 year old growth

- growth units and student numbers for adult and part-time WP students
- the institution's unit allocation for 2000/01.

8 One significant variation to the approach for 1999/00 is the inclusion of additional units for the implementation of curriculum 2000. Where significant numbers of additional units per full-time 16–18 year old students had been allocated to institutions to deliver curriculum 2000, the Council wished to monitor institutions' delivery of these programmes. An initial review was undertaken in autumn 2000. A monitoring form which institutions were requested to return to FEFC regional offices by 23 October 2000 accompanied the letter from the FEFC chief executive on 29 September introducing this review.

9 The baselines for 2000/01 are set at an institution's targets for the previous year that is, the baselines for 1999/00 plus any growth funds allocated in that year.

10 Student numbers associated with 16–18 year old full-time growth have been calculated by using a unit to student ratio of 150:1 for all institutions except agricultural colleges, where the ratio is 200:1.

11 Student numbers associated with adult growth have been calculated by using a unit to student ratio of 30:1 for all institutions except agricultural colleges, where the ratio is 40:1.

12 The Council will consider exceptional cases where the unit to student ratio for an institution is significantly different from either of those described in paragraphs 10 and 11 above. There may be a case, for example, where an institution generates a high level of units for additional support to students.

13 A number of institutions received additional funding for growth in full-time 16–18 year old student numbers in 1999/00, based on each institution's ISR15 (1 November 1999: 1999/00). Institutions were notified of this in their provisional allocations for 2000/01, issued on 29 February 2000. This growth has been consolidated into the baselines for 2000/01.

Recovery of Funds

14 The Council intends to recover funds associated with any underachievement against the two following categories:

- the total number of units in the funding agreement
- the units allocated for growth between 1999/2000 and 2000/01 in full-time 16–18 year old students.

15 For the 16–18 year old growth target, a threshold of 90% of student numbers before recovery takes place will be used. This builds on the arrangements, as described in FEFC Circular 00/16 *Monitoring Growth 1999/00*, for the threshold to be revised upwards from 75% in 1998/99 and 85% in 1999/00. Institutions will now be familiar with the necessity to deliver against growth targets as well as against their funding agreements as a whole. The Council expects that institutions will plan to over-deliver in student numbers in order to meet their targets. As in 1999/00, recovery will be made for underachievement below the threshold only, and any recovery will be further moderated by the Council's 2% tolerance for overall underperformance.

16 Whilst the Council will monitor the achievement of the adult Widening Participation (WP) growth target, it does not intend to recover funds separately for underachievement in this category. This is in

recognition of the difficulty of achieving growth accurately in both categories and, in particular, reflects the secretary of state's priority for increasing full-time 16–18 year old student numbers.

17 As set out in paragraph 127 of FEFC Circular 00/03 *Funding Guidance 2000/01*, the Council will not recover funds where the total value is less than the lower of £5,000 or 5% of an institution's main allocation.

18 As indicated in paragraphs 10 and 13 of FEFC Circular 00/20, *Payment of Funds 2000/01*, and in view of the transition to the new arrangements of the Council, institutions should plan for any recovery of funds for underachievement against the 2000/01 funding agreement to take place in the Spring Term 2002. Funds will be recovered taking account of the Council's tolerance policy described below.

Tolerance of Performance against Funding Agreement

19 Each institution's recovery position will be subject to a tolerance of 2% underperformance against its funding agreement. This circular seeks to provide a simplified explanation of the policy, first described in FEFC Circular 99/07, *Funding Guidance 1999/00*.

20 The policy enables institutions to carry forward a maximum of 2% over or underachievement of performance each year. This will be based on the institution's current year target (as opposed to the previous year's target as described in FEFC Circular 99/07). It was not the intention of the original guidance in FEFC Circular 99/07 to allow institutions that underachieved against their funding agreement a 2% 'credit' that would never be subject to recovery; the policy has, however,

been interpreted in this way by a number of institutions.

21 Recovery of funds as at 31 July 2001 will be calculated by applying the institution's funded average level of funding (ALF) for the year(s) that the institution underachieved. Where appropriate, this will be the combined ALF for the year (where separate ALFs were calculated for direct and franchised provision). The calculation will look first at the units underachieved in the most recent year; recovery for any further units in the balance of underachievement will be calculated from the year(s) in which the further underachievement took place. An example of this calculation is given in FEFC Circular 00/16. Account will be taken in any such calculations of the Council's policy to guarantee 90% of an institution's cash allocation for the previous year (unless the institution's performance was less than 90% for two consecutive years).

22 The policy allows institutions to offset any underachievement by any overachievement up to 2% of cash allocation in the previous year (where not funded by the FEFC). It is recognised that some institutions may face the scenario where they overachieve or achieve target between 1999/2000 and 2000/01 but underachieve significantly in the final year, 2001/02. In these instances, the Council may consider the institution's overall achievement across the three-year period (not restricting this to the 2% maximum carry forward of overachievement) when arranging the recovery as at 31 July 2002.

23 The examples illustrating how the policy works in practice are given in FEFC Circular 00/16.

24 The Council will consider exceptional cases from institutions, which justify a higher tolerance in a particular year. This will typically be for cases where an institution has received

a more favourable European Social Fund allocation than expected, which results in the institution delivering the same level of provision as predicted but for fewer funded units.

25 Institutions' baselines for 2000/01 have been incorporated within their operational and final allocations for 2000/01. These baselines include additional allocations for adult growth issued in response to provisional allocations for 2000/01.

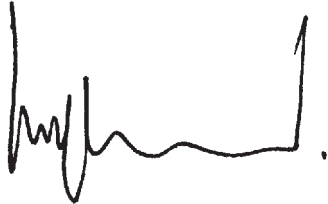
26 In response to the Secretary of State's encouragement to increase numbers of adult students, the FEFC in June 2000 invited institutions to apply for additional funding for adult growth and IT growth by 31 July 2000. The baselines also include allocations for this additional adult growth and IT growth in September 2000. The 2% tolerance factor will therefore apply to these additional funds for 2000/01.

27 These additional units for adult growth have been added into the existing allocations to institutions. The units allocated for IT growth are identified separately in final funding allocations to institutions, but will not be monitored separately for the purposes of recovery. Institutions will be asked to show how they have used the IT funds during inspections and other visits.

28 For 2000/01 the FEFC allocated £44 million for adult growth associated with University for Industry(Ufi)/learn direct provision. This is shown as a separate item within the allocation. The Council and the Ufi wish to monitor this element of the adult growth allocation, but it will not be subject to any separate recovery of funds.

29 The Council has now agreed to continue the policy of 2% tolerance for the year 2001/02. However, institutions should plan at present for the system of tolerance to end in

July 2002, along with the funding system brought forward from the FEFC, and plan for any underachievement outstanding at 31 July 2002 to be recovered.

A handwritten signature in black ink, appearing to read 'John Harwood', followed by a period.

John Harwood, Chief Executive

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Reference CIRC/0071/01